(ii) Statement giving reasons for not laying the Annual Report and Accounts of the Bengal Immunity Limited, for the year 1985-86, within the stipulated period.

[Placed in Library. See No. LT-4147/87 for (i) and (ii)].

REPORT AND ACCOUNTS (1985-86) OF THE NATIONAL PROJECTS CONSTRUCTION, CORPORATION LIMITED, NEW DELHI AND RELATED PAPERS

THE MINISTER OF STATE IN THE DEPARTMENT OF POWER IN THE MINISTRY OF ENERGY (SHRIMATI SUSHILA ROHATGI): Sir, I beg to lay on the Table—

I. A copy each (in English and Hindi) of the following papers, under sub-section (1) of section 619 A of the Companies Act, 1956:—

(i) Twenty-ninth Annual Report and Accounts of the National Projects Construction Corporation Limited, New Delhi, for the year 1985-86, together with the Auditors' Report on the Accounts and the comments of the Comptroller and Auditor General of India thereon.

(ii) Review by Government on the working of the Corporation.

II. Statement (in English and Hindi) giving reasons for the delay in laying the papers mentioned at (i) above.

[Placed in Library. See No. LT-4161/87 for I and II].

REPORT OF THE COMMITTEE ON THE WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES

SHRI SUKHDEV PRASAD (Uttar Pradesh): Sir, I beg to lay on the Table a copy (in English and Hindi) of the Twenty-first Report of the Committee on the Welware of Scheduled Castes and Scheduled Tribes on the Ministry of Finance (Department of Economic Affairs—Insurance Division) —Reservations for, and employment of, Scheduled Castes and Scheduled Tribes in Life Insurance Corporation of India.

STATEMENT BY MINISTER

Enquiry ordered by the Former Minister of Defence into the payment of Commission by the supplies to an Indian agent in a Defence Deal

MR. CHAIRMAN: Now, Mr. Arun Singh will make the statement.

Before Mr. Arun Singh makes the statement, I want to mention one thing.

From the 15th January, 1982 to the middle of June, 1984, I was the Defence Minister. Therefore, I do not think it proper for me to preside over the debate. I would request the Deputy Chairman to come and take the Chair.

SHRI PARVATHANENI UPENDRA (Andhra Pradesh): Nothing has come against you, Sir.

MR. CHAIRMAN: Does not matter.

The Deputy Chairman in the Chair

THE MINISTER OF STATE IN THE DEPARTMENT OF DEFENCE RESEARCH AND DEVELOPMENT IN THE MINISTRY OF DEFENCE (SHRI ARUN SINGH): Madam Deputy Chairman, with your permission I would like to place before the House information regarding the inquiry ordered by the former Defence Minister into a defence contract in which an Indian agent was said to have had an arrangement for receiving payment of 7 per cent commission from the supplier.

On February 25, 1987, Government received a secret telegram in cipher

from one of our Embassies stating that an Indian agent is involved in a defence contract in which the agent has an arrangement for receiving payment of 7 per cent commission from the supplier. The identity of the agent or the amount of money said to have been received by him was not stated.

This information was furnished by a foreign government. Keeping in view sensitivities pertaining to international relations, I do not propose to divulge any information on the subject matter of the defence contract or the source of supply.

The papers on the subject were put up to the then Defence Minister on March 3, 1987. On March 11, 1987, the then Defence Minister ordered that the matter should be referred to the Directorate of Enforcement for investigation of violations of the Foreign Exchange Regulation Act and to the Central Board of Direct Taxes for possible violations of the Income tax act. He further desired that the Economic Intelligence Bureau of the Ministry of Finance should be requested to carry out a systematic study of the *modus operandi*, to all agents, Indian and foreign, so that firm action could be taken against them, as necessary.

On March 25, 1987, a draft letter from the Defence Secretary to the Finance Secretary was put up to the then Defence Minister for approval in purusance of his order of March 11, 1987. On April 9, 1987, the then Defence Minister approved the draft letter and authorised its issue. He further directed that a committee under the chairmanship of the Defence Secretary should report on the modus *operandi* of freign and Indian agents in defence deals and to suggest steps necessary to eliminate them from defence transactions.

The Hon'ble Members are aware that the Directorate of Enforcement' the Central Board of Direct Taxes and the Economic Intelligence Bureau conduct inquiries in a confidential manner so that relevant evidence is not destroyed.

However, on April 9, 1987, the then Defence Minister directed the issue of a press note stating the substance of information received from an Indian Embassy and further stating that an inquiry into the matter had been ordered. The press note also announced the establishment of a committee under the Defence Secretary.

The concerned file was despatched to the Prime Minister's office for information of the Prime Minister on the evening of April 9, 1987. However, before the file could be put up to the Prime Minister on April 1 1987, the newspapers had already carried the press note, giving rise to speculations.

I would like to draw the attention of the Hon'ble Members to the following specified points:—

(i) In regard to the specific case of the defence contract in which an Indian agent was reported to be involved, the inquiry ordered by the then Defence Minister was to be conducted by the Directorate of Enforcement and the Central Board of Direct Taxes of the Ministry of Finance.

(ii) The Economic Intelligence Bureau of the Ministry of Finance were also desired by the then Defence Minister to carry out a systematic study of the *madus operandi* of the agents, Indian and foreign.

The Defence Secretary has written to the Finance Secretary in pursuance of these directions as per the draft letter approved by then Defence Minister.

(iii) The Committee under the Defence Secretary to study the *modus operandi* of agents has also been constituted and has begun its work.

I wish to categorically state before the House that the Department of Defence of the Government of India has not appointed any agent authorised to act on its behalf in respect of any defence contract.

I would also like to assure the House that the most stringent procedures have been laid down to ensure quality and technical parameters of equipment procured by the Department of Defence. No equipment is purchased without technical certification of acceptability from the concerned Service Headquarters.

On assuming office, the Prime Minister reiterated the existing instructions that the Department of Defence should not deal with any non-governmental agent of a foreign supplier in respect of any commercial negotiations. The Prime Minister also directed that foreign governments and suppliers should be told unequivocally about the decision. This policy directive has been enforced rigorously by the Department of Defence with satisfactory results.

SHORT DURATION DISCUSSION ON THE REPORTED DECISION OF THE GOVERNMENT TO INSTITUTE AN INQUIRY IN TO THE INVOLVEMENT OF COMMISSION AGENTS IN CERTAIN DEFENCE DEALS

THE DEPUTY CHAIRMAN: Shri Mohanan will initiate the debate.

SHRI K. MOHANAN (Kerala): Madam Deputy Chairman, before I come to the point of discussion today and the statement made by the hon. Minister on the floor of this House just now, I am happy to note that the Congress (I) Party became suddenly aware of the threats from some foreign as well as Indian agencies which are trying to destabilise this Government and this country. In this regard, Madam, I would like to quote from the Resolution passed by the Congress Working Committee. In the last para of that Resolution it is stated—I quote:

> 'The events of the last six weeks established beyond doubt a pattern of destabilisation in which external forces hostile to India have been revealed to have inexplicable links with internal forces...'

AN HON. MEMBER: Any objection? (*Interruptions*)

SHRI K. MOHANAN: It concludes with the comments: "The Working Committee declared its unflinching determination to combat these forces of destabilisation". (*Interruptions*) I do agree with you. On earlier occasions so many times on the floor of this House itself, from the opposition side and especially from the side of my party, we have raised this question of certain forces working to destabilise this country and to destabilise the political situation in this region. We have raised this point in the background of the situation arising especially out of the Punjab incidents, the Assam incidents and the Gorkhaland agitation. What was your attitude to it then? Either you were silent or you were deliberately evading a discussion regarding the forces of destabilisation. Now you have suddenly become aware of these forces of destabilisation inside the country. I do agree. Before I start my points on the main discussion today, I demand from the Government and the Congress (I) Party to come out with the details about the forces which are working to destabilise the Government and this country. But you are not prepared for that. Even now, you are utilising it as a propaganda and talking about the forces of destabilisation to cover the deeds or misdeeds of your Government and the corruption you have indulged in utilising the money of the Exchequer and the public money. The skeletons are coming out of the cupboard one after another. Everybody knows about the Fairfax or the submarine deal or the artillery deal with